Annual Report
2006/2007

LEAF RAPIDS TOWN PROPERTIES LTD.

MINISTER OF
INTERGOVERNMENTAL AFFAIRS

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8
General Office: (204) 945-3788
Fax: (204) 945-1383

The Honourable John Harvard, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB
R3C 0V8

May it please Your Honour:

I have the privilege to present, for your information, the Annual Report of Leaf Rapids Town Properties Ltd. for the fiscal year ended March 31, 2007.

Sincerely,

Steve Ashton
Minister

LEAF RAPIDS MANITOBA, R0B 1W0

Leaf Rapids Town Properties Ltd.

Honourable Steve Ashton
Minister of Intergovernmental Affairs
and Trade
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I am pleased to present you with the Annual Report for Leaf Rapids Town Properties Ltd. for the fiscal year ending March 31, 2007.

Audited Financial Statements, submitted as required, by the Provincial Auditor, are appended to the Report.

Yours sincerely

Linda McFadyen

Linda McFadyen,
Chairperson

ANNUAL REPORT

LEAF RAPIDS TOWN PROPERTIES

2006-2007

Members of the Board:
Linda McFadyen, Chairperson/President (term commenced January 23, 2006)
Debra Woodgate, Vice-Chair (term ended February 26, 2006)
Paul Rochon (term commenced February 26, 2006)
Dorynne (Dori) Gingera-Beauchemin
Scott Wiebe
Jeff Gordon
Gary Ostry

Town of Leaf Rapids Advisory Member
Bond Ryan, Town Administrator

Management:
Geoff Bawden, General Manager
Rod Berscheid, Assistant General Manager

Leaf Rapids Town Properties Ltd. (LRTP) is a share capital corporation located in the Town of Leaf Rapids that was established to manage the Town Centre and other properties in Leaf Rapids. The shares of the Corporation are held by the Minister of Finance. The Corporation operates on an April 1 – March 31 fiscal year.

Initially created as the Leaf Rapids Development Corporation, LRTP's mandate has evolved to include:

- foster the economic growth of the local area;
- encourage the growth of local business;
- raise money for the purpose of economic development in the Leaf Rapids' area;
- finance and/or assist in the financing of enterprises to operate in the area;
- act as project manager for local development projects;
- manage all assets for LRTP including the Town Centre Mall, Commercial Building, garage station, trailer park and vacant lands

The Management of LRTP reports to a Board of Directors formed by the Province. Directors are selected in recognition of their related portfolio responsibilities as senior staff in the Manitoba civil service. The Chairperson was also the Deputy Minister of Intergovernmental Affairs and Trade (IAT). Staff support for the Corporation is provided by Manitoba Infrastructure and Transportation (MIT). The General Manager of LRTP, who is also Secretary of the Board, is an Assistant Deputy Minister of MIT. The remaining Board Members bring their experience from

the Departments of Finance, Aboriginal and Northern Affairs, Agriculture and Food and Rural Initiatives.

In 2006-2007 the financial and administrative support for the Corporation was provided through donated time of Manitoba Infrastructure and Transportation staff.

The closing of the Ruttan Mine in 2002 directly affected the lives of the citizens of Leaf Rapids, many of whom were employed in the mine. The community continues to work to establish a new economic base. The Provincial Government continues to assist the adjustment process, and LRTP contributed to the Provincial Government's efforts by encouraging business and other community groups to operate from its facilities.

Since the closure of the mine, all the LRTP properties continue to operate with little or no interruption in services. Extraordinary measures have been taken to support the community through its transition. However, as a consequence of these measures, the Town Centre is not self-sufficient in meeting its costs despite several efficiency initiatives. In order to maintain continued service in the Town Centre, LRTP has been drawing down its financial reserve. This will result however in longer term implications for the Corporation.

Leaf Rapids Town Properties continues to operate the Town Centre, which includes the Health Centre, Frontier School, the Town Offices, and several commercial tenants. The facility includes a hotel that closed in 2004. LRTP has helped eliminate the strain on commercial tenants by lowering rents wherever possible and re-negotiating the leases/agreements to recognize other cost factors for tenants.

New tenants in the Town Centre point to some economic improvements for the Corporation. Fields Store, a division of the Hudson Bay, opened a store in the Town Centre, the restaurant reopened and further interest has been shown by several other potential tenants.

As part of LRTP efforts to rationalize business operations and asset holdings, LRTP decided to close Suwannee Way trailer court in 2005. The Town of Leaf Rapids supported the Corporation's direction and assisted LRTP in planning the transition and providing information to the residents/owners. There are other trailer courts in the community that are underutilized and staff continues to work with the Town, residents, and the Residential Tenancies Board to make the closure and relocation as smooth as possible for those affected.

To protect the Corporation's assets for the community as a whole, LRTP continued to undertake crucial repairs on an as required basis.

LRTP continues to assist the Town of Leaf Rapids wherever possible in moving through its transitional period towards a more sustainable future.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Chairperson

General Manager

August 17, 2007

Leaf Rapids Town Properties Ltd.

Financial Statements

March 31, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Leaf Rapids Town Properties Ltd.

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2007 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 17, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2007	2006
ASSETS		
CURRENT		
Cash and short term deposits	$ 361,026	$ 656,889
Accounts receivable	31,904	8,093
GST receivable	1,583	2,887
Prepaid expenses	26,818	16,869
	421,331	684,738
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 4)*	1	1
CAPITAL ASSETS *(Note 2(b), 5)*	1	1
	$ 421,334	$ 684,741
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 75,260	$ 62,363
Corporation capital tax payable	938	1,167
Deferred revenue	6,061	4,047
	82,259	67,577
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,580,836	1,566,154
SHAREHOLDER'S DEFICIT		
SHARE CAPITAL *(Note 7)*	2,621,100	2,621,100
DEFICIT	(3,780,602)	(3,502,513)
	(1,159,502)	(881,413)
	$ 421,334	$ 684,741

Approved on behalf of the Board

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF LOSS AND DEFICIT

YEAR ENDED MARCH 31

	2007	2006
REVENUE		
Rentals	$ 425,455	$ 407,348
Cost recoveries	2,471	8,166
Administrative expenses paid for by the Province of Manitoba *(Note 2(d))*	71,450	58,260
	499,376	473,774
EXPENSES		
Administrative expenses *(Note 2(d))*	71,450	58,260
Bad debts (recoveries)	563	(101,929)
Casual wages	3,056	
Insurance	58,717	59,803
Janitorial	111,993	111,688
Penalties and interest	156	
Professional fees	14,185	30,683
Property improvements	81,596	4,366
Property taxes	118,066	111,972
Repairs and maintenance	75,911	77,723
Salaries and benefits		29,179
Snow removal	10,930	8,322
Sundry	2,678	797
Supplies and office	5,760	10,810
Suwannee Way assistance	31,200	
Telephone	3,802	3,768
Utilities	112,001	96,799
Vehicle and travel	6,817	8,344
Whitewater inn	107,294	225,037
Winnipeg office	-	5,571
	816,175	741,193
OTHER REVENUE (EXPENSES)		
Corporation capital tax	(938)	(1,534)
Interest earned *(Note 8)*	14,837	14,966
	13,899	13,432
LOSS BEFORE GAIN FROM PRIOR WRITE DOWN OF ASSETS	(302,900)	(253,987)
Gain from prior write down of note receivable *(Note 4)*	11,945	11,945
Gain from prior write down of prepaid expenses *(Note 10)*	12,866	-
	24,811	11,945
NET LOSS FOR YEAR	(278,089)	(242,042)
DEFICIT, *beginning of year*	(3,502,513)	(3,260,471)
DEFICIT, *end of year*	$(3,780,602)	$(3,502,513)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2007	2006
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss	$(278,089)	$(242,042)
Net change in non-cash working capital:		
Accounts receivable	(23,811)	24,899
GST receivable	1,304	(2,802)
Prepaid expenses	(9,949)	(304)
Accounts payable and accrued liabilities	12,897	3,210
Corporation capital tax payable	(229)	1,532
Deferred revenue	2,014	(1,048)
	(17,774)	25,487
NET DECREASE IN CASH DURING YEAR	(295,863)	(216,555)
CASH, *beginning of year*	656,889	873,444
CASH, *end of year*	$ 361,026	$ 656,889
CASH COMPRISED OF		
Cash	$ 169,554	$ 181,218
Short term investments	191,472	475,671
	$ 361,026	$ 656,889

LEAF RAPIDS TOWN PROPERTIES LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31,2007

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) Capital Assets

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 10. Accordingly, there is no amortization for 2007.

(c) Developed Lots

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) Administrative Support

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

(e) Income Taxes

These financial statements do not reflect any provision for corporation income taxes as the corporation considers itself to be exempt from tax under Section 149(1)(d) of the Income Tax Act, Canada.

3. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. Revenues have continued to drop since the closure of the Ruttan Mine in May, 2002 and as a result the Corporation is undergoing severe cash flow problems. The Corporation is currently reviewing their financial position and the long term plans for the Corporation.

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4. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection due to the mine closure, as explained in note 10. The Corporation continued to collect based on the terms shown below, for the past fiscal year. As such the 2002 write down has been adjusted as of March 31, 2007 to reflect the outstanding balance of $1,907. This adjustment is reflected as a gain from prior write down on the statement of loss and deficit.

	2007	2006
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 1

5. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094	-	-
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the required annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2007, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

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NOTES TO FINANCIAL STATEMENTS

MARCH 31,2007

7. SHARE CAPITAL

	2007	2006
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

8. INTEREST

	2007	2006
Interest earned on short term deposits held by the Province of Manitoba	$ 14,837	$ 14,966

9. RELATED PARTY TRANSACTIONS

As stated in note 7, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 8 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2007. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2007	2006
Short term deposits	$ 191,472	$ 475,671
Accounts receivable	$ 839	$ 2,377
Accounts payable	$ 31,391	$ 21,621

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10. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation was dependent on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment has been written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect on the economy of Leaf Rapids, the following allowances and asset write downs, totaling $112,513 have been made as of March 31, 2007:

a) the allowance for doubtful accounts receivable balance as of March 31, 2007 is $81,411 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $11,500 and $19,602 respectively to reflect the uncertainty regarding the future benefit of these assets.

11. COMPARATIVE FIGURES

Certain prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

12. FINANCIAL INSTRUMENTS

a) Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) Fair Value

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.